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ANNUAL REPORT OF UNIDO, 1992

System of Consultations: Consultations held in 1992 and plan for technical cooperation follow-up activities

Report by the Director-General

Summary

Submits for examination and approval of the Board the conclusions and recommendations of two Consultations held in 1992, on the petrochemical industry in the Arab countries and on the capital goods industry in Latin America. A plan of action for technical cooperation activities as follow-up to the two Consultations is provided in the annex.

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Introduction

1. The present document is submitted to the Board in accordance with General Conference resolution GC.3/Res.2 and specifically paragraph 7, which requests the Director-General to present to the Board the conclusions and recommendations of each Consultation for examination and approval together with a plan of technical cooperation follow-up activities for guidance.

I. CONSULTATIONS HELD IN 1992

2. Two Consultations were held in 1992: the Regional Consultation on the Petrochemical Industry in the Arab Countries (originally scheduled in the previous biennium but postponed) was held at Innsbruck, Austria, from 22 to 25 June; and the Regional Consultation on the Restructuring of the Capital Goods Industry in Latin America and the Caribbean, held from 9 to 12 November at Caracas, Venezuela. The reports of the Consultations are contained in documents ID/383 and ID/385, respectively. A brief summary of the two Consultations is given below.

Regional Consultation on the Petrochemical Industry in the Arab Countries

3. The Consultation was attended by 92 participants from 31 countries, with two thirds of the participants coming from public and private sector industries.

4. The Consultation agreed unanimously on the recommendations covering: cooperation, coordination and integration in the field of petrochemicals; marketing and market development; infrastructure development; impact of technological development; environment and safety aspects of the petrochemical industry.

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5. With respect to cooperation, coordination and integration in the field of petrochemicals, a review of national economic policies in the Arab countries was proposed in order to permit full integration of the petrochemical industry with the other economic sectors. In that context, due consideration should be given to the development of the upstream and downstream processing industries.

6. Recognizing the importance of marketing and market development in the industry, it was proposed to adopt effective marketing policies and strategies based on identified consumer needs, which should be regarded as an indispensable condition for market development for petrochemicals, covering products, prices, availability and quality, as well as product promotion and assistance in end-use.

7. With regard to infrastructure development, it was agreed that the physical infrastructure in many Arab countries in support of the petrochemical industry should be strengthened. However, in view of its importance for overall economic development, the cost associated with the maintenance and enhancement of such infrastructure development should not be borne by the petrochemical industry alone.

8. Acknowledging the importance of technological development, it was recommended that, in order to increase international competitiveness through quality assurance and productivity, Arab petrochemical manufacturers should develop a quality assurance system in their companies, strengthen process development capabilities, decrease costs through reducing waste, introduce preventive maintenance systems, enhance spare parts manufacturing and management, improve management procedures and practices, and upgrade managerial skills. It was made clear that these measures would also promote "Responsible Care" and protection of the environment.

9. Finally, on the issue of environment and safety aspects of the petrochemical industry, it was proposed that on the basis of accepted international standards, the Arab petrochemical industry should continue to give adequate consideration to solving problems of environmental protection and safety so as to avoid the adverse effects of pollutants on human health and on nature and property.

Regional Consultation on the Restructuring of the Capital Goods Industry in Latin America and the Caribbean

10. The Consultation was attended by 65 participants from 16 countries, as well as representatives of seven regional industrial and international organizations including the Latin American Economic System (SELA), National Council for the Development of the Capital Goods Industry, Andean Development Corporation (CAF), Centre for the Development of Industry (CDI) and Programa Bolivar. The recommendations call, inter alia, for a harmonized and coordinated effort from all the actors involved in the capital goods sector, i.e. Governments, industrial associations, research and development institutions, regional and international organizations and capital goods producers.

11. It was recommended that Governments should concentrate on providing the necessary infrastructural and policy support as a basis for the development of the sector. It was recognized, however, that the capital goods producers themselves must bear the main responsibility for improving their international competitiveness. Programmes in such areas as market intelligence, technical training, export promotion, identification of financial support mechanisms, identification of market niches in production of equipment for environmental protection were of major concern to the participants and were accordingly addressed by the Consultation.

12. It was further recommended that regional and international organizations such as CAF, the Economic Commission for Latin America and the Caribbean, UNIDO and SELA should concentrate their help and support to the sector by:

(a) Identifying a qualified methodology for providing a qualitative and quantitative analysis of the capital goods sector in Latin America and the Caribbean;

(b) Strengthening industrial associations and other professional bodies (chambers of commerce and engineering consultants) operating in the sector and encouraging the exchange of experiences;

(c) Providing information on sectoral policies applied by other industrial sectors in other regions.

13. The participants stressed the need to develop regional cooperation programmes for the capital goods industries in the Caribbean and Central America, bearing in mind the characteristics of each subregion. It was also agreed that CDI should play an active role in implementing this programme for the Caribbean countries.

14. The meeting recognized the urgent need to identify, create or promote, with the support of the development banks, new sources and mechanisms for mobilizing long-term financial resources and export guarantee mechanisms for the sale of capital goods and the modernization of the industry.

II. PLAN OF ACTION FOR TECHNICAL COOPERATION ACTIVITIES

15. The UNIDO Advisory Committees for each of the two sectors covered by the Consultations have elaborated plans for follow-up action identifying the lead and supporting units responsible for the implementation of the recommendations. The plans appear in tabular form as an annex to the present document. They provide the context whereby UNIDO could enhance its technical and promotional activities on the basis of the conclusions and recommendations of the two Consultations.

III. ACTION REQUIRED OF THE BOARD

16. The Board is invited to examine and approve the conclusions and recommendations of the Consultations held during 1992 which are contained in documents ID/383 and ID/385, and to provide guidance on the plan of follow-up action contained in the annex to the present document.

Annex

PLAN OF FOLLOW-UP ACTION

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Abbreviations

Table 1 Regional Consultation on the Petrochemical Industry in the Arab Countries 4

Table 2 Regional Consultation on the Restructuring of the Capital Goods Industry in Latin America and the Caribbean 9

Explanatory note

The main features of the recommendations as they appear in the reports of the Consultations (documents ID/383 and ID/385) have been summarized briefly in the left column of the tables. The main organizations responsible for the follow-up of the recommendations have been listed under the column "Addressed to". Those organizations having a supporting role in technical cooperation have also been indicated. In the last column, entitled "In-house responsibility", the units in the UNIDO Secretariat having main responsibility for initiation of activities have been designated. It is to be understood that the proposed programmes and projects would be carried out subject to availability of funds and, in the case of technical cooperation, receipt of an official request of the Government.

Abbreviations

APPE	Association of Petrochemicals Producers in Europe
CAF	Andean Development Corporation
CDI	Centre for the Development of Industry
CONDIBIECA	National Council for the Development of the Capital Goods Industry
EC	European Community
ECLAC	Economic Commission for Latin America and the Caribbean
ESCWA	Economic and Social Commission for Western Asia
GATT	General Agreement on Tariffs and Trade
GOIC	Gulf Organization for Industrial Consulting
IIASA	International Institute for Applied Systems Analysis
ILO	International Labour Organisation
IO	Department of Industrial Operations
IO/IIS/INFR	Institutional Infrastructure Branch
IO/OS/IHRD	Industrial Human Resource Development Branch
IO/T/CHEM	Chemical Industries Branch
IO/T/ENG	Engineering Industries Branch
IPCT	Department for Industrial Promotion, Consultations and Technology
IPCT/CONSULT	System of Consultations Division
IPCT/II	Industrial Investment Division
IPCT/II/FEAS	Feasibility Studies Branch
IPCT/TDP/INF	Industrial and Technological Information Section
IPCT/TDP/TAN	Technology Acquisition Negotiation Section
ISO	International Organization for Standardization
ITC	International Trade Centre UNCTAD/GATT
OAPEC	Organization of Arab Petroleum Exporting Countries
OPEC Fund	Organization of the Petroleum Exporting Countries Fund for International Development
PPD	Department for Programme and Project Development
PPD/AREA	Area Programmes Division
PPD/AREA/ARAB	Arab Countries Programme
PPD/ICFM	Industrial Cooperaton and Funds Mobilization Division
PPD/ICFM/COOP	Industrial Cooperation and Management Services Branch
PPD/IPP/REG	Regional and Country Studies Branch
PPD/SMA/ENV	Environment Coordination Unit
SELA	Latin American Economic System
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme

Table 1

REGIONAL CONSULTATION ON THE PETROCHEMICAL INDUSTRY IN THE ARAB COUNTRIES
(Innsbruck, Austria, 22-25 June 1992)

Issue I: Cooperation, coordination and integration in the field of petrochemicals
Issue II: Marketing and market development
Issue III: Infrastructure development
Issue IV: Impact of technological development on the petrochemical industry
Issue V: Environmental protection and safety

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES		
Main features	Addressed to	Action required	In-house responsibility	
Cooperation, coordination and integration in the field of petrochemicals				
1. National economic policies in Arab countries should be reviewed to permit full integration of petrochemical industry with other economic sectors. In this context, due consideration should be given to development of the upstream and downstream processing industries	Governments of Arab countries	(a) Incorporation into the sectoral development policies of UNIDO (b) Message to be conveyed to the relevant government authorities in the Arab countries (c) Preparation of policy guidelines in the sector	Lead unit: Support unit:	PPD/AREA/ARAB IPCT/CONSULT
2. The Arab countries should collect on a regional basis and periodically update information regarding existing capacity, present and potential product demand, sources of available technology, equipment and related items with the assistance of UNIDO upon the request of a Member State and other relevant entities	Governments, public/private enterprises, producer associations, chambers of industry and commerce, regional and interregional organizations including UNIDO	(a) To liaise with GOIC and OAPEC (b) Dissemination of UNIDO's database on petrochemicals to relevant bodies in the Arab region	Lead unit: Support unit:	IPCT/TDP/INF IPCT/CONSULT
3. Partnership arrangements should be encouraged as the most practical means and mechanisms for cooperation, whether among Arab countries or producers or between them and partners from other regions. Such partnerships should pay due attention to mutual interests of parties concerned	Public/private sector enterprises in the petrochemical sector	Identification and formulation of concrete investment opportunities and projects in the petrochemical sector of Arab countries	Lead unit: Support unit:	IPCT/II IPCT/CONSULT
4. When requested, UNIDO should assist the Arab countries in the formulation of their petrochemical industry policies to improve regional resource utilization, strengthen production and market complementarity and enhance inter-Arab and interregional trade in petrochemicals	UNIDO and other regional and international organizations	(a) Linked to recommendation No. 1 (b) Provision of relevant multi-client studies to Arab Governments and petrochemical industries	Lead units: Support unit:	PPD/AREA/ARAB IPCT/II/FEAS IPCT/CONSULT

Table 1 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
Marketing and market development			
5. The adoption of effective marketing policies and strategies based on identified consumer needs should be regarded as an indispensable condition for market development for petrochemicals, covering products, prices, availability and quality, as well as product promotion and assistance in end use	Governments and petrochemical companies in the Arab countries	Message will be conveyed to UNCTAD, ITC, GCC and other relevant regional and international agencies and incorporated into UNIDO's sectoral policies	Lead unit: IPCT/CONSULT Support unit: IO/T/CHEM
6. Downstream processing industries should be established wherever viable to increase the use of petrochemicals in various sectors of activity, particularly construction, agriculture, clothing and health care, which offer large potential for domestic market development substantiated by detailed market studies	Public/private sector companies in Arab countries, development finance institutions, government agencies, international organizations including UNIDO	(a) Linked to recommendation No. 1 (b) Liaison with regional development finance institutions, e.g. Islamic Development Bank, OPEC Fund for International Development	Lead unit: IPCT/II Support unit: IPCT/CONSULT
7. With respect to international markets for basic and intermediate products, Arab petrochemical producers are encouraged to undertake strategic assessment of their overall trade policies, and on that basis enter into innovative and collaborative partnership arrangements	Petrochemical companies in Arab countries	(a) Liaison with producer associations, UNCTAD, ITC, GATT (b) Identification of innovative and collaborative partnership arrangements	Lead units: IPCT/II PPD/IPP/REG Support units: PPD/ICFM/COOP IPCT/CONSULT
8. The crucial role of market intelligence and information should be fully recognized in providing the basis of any effective marketing strategy. For this purpose the appropriate information networks on market-related parameters can render invaluable assistance	Companies, producer associations, e.g. UNCTAD ITC, GATT	Review of existing commercial and non-commercial information networks on market-related parameters	Lead unit: IPCT/TDP/INF Support units: IPCT/CONSULT PPD/IPP/REG
9. At the request of countries concerned, UNIDO should provide assistance to enable Arab and other countries to exchange views and information, particularly on supply/demand balances in petrochemical industries	UNIDO	(a) Assistance/advice on request (b) Dissemination of information available in UNIDO's petrochemicals database	Lead unit: IPCT/TDP/INF Support units: IPCT/CONSULT IO/T/CHEM

Table 1 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
Infrastructure development			
10. Physical infrastructure in many Arab countries in support of the petrochemical industry should be strengthened. However, in view of its importance for overall economic development the cost associated with maintenance and enhancement of such infrastructure development should not be borne by the petrochemical industry alone	Governments of Arab countries, development finance institutions	(a) Expansion of cooperation with the World Bank, Islamic Development Bank, etc. (b) Establishment of investment priorities in petrochemical infrastructure	Lead unit: IPCT/II Support unit: IPCT/CONSULT
11. Effective measures should be taken to strengthen the proven capability in the Arab region for engineering design, plant construction and the manufacture of certain items of equipment and machinery	Governments, producers, technical centres, contractors, vocational training/universities, R and D institutions	(a) Assistance/advice on request (b) Preparation of proposals to strengthen technological capabilities in the Arab petrochemical industries	Lead units: IO/T/CHEM, IO/T/ENG Support unit: PPD/AREA
12. Due consideration should be given to the promotion and intensification of personnel training at all levels, within the framework of human resource development, for efficient operation, maintenance and safety of petrochemical plants	Companies, licensors, contractors, technical training centres, universities, R and D institutions, specialized international agencies including UNIDO and ILO	(a) Linked to recommendation No. 11 (b) Assessment of status of existing training centres and modalities for their strengthening	Lead units: IO/OS/IHRD, IO/T/ENG Support units: PPD/AREA, IPCT/CONSULT
13. Arab petrochemical enterprises should be encouraged to set up their own R and D facilities to supplement their cooperation with academic and technological institutes with a view to facilitating the absorption and improvement of imported technologies to suit local conditions	Arab petrochemical companies in cooperation with firms in industrialized countries and international agencies including UNIDO	Assessment of needs and preparation of technical cooperation proposals with a view to exploring technological options for the petrochemical industry and to facilitating local absorption of imported technologies	Lead unit: PPD/AREA/ARAB Support unit: IO/T/ENG
Impact of technological development on the petrochemical industry			
14. To increase international competitiveness through quality assurance and productivity, Arab petrochemical manufacturers should: (a) Develop a "Quality Assurance System" in their companies; (b) Strengthen process development capabilities; (c) Decrease costs through reducing waste;	Companies in Arab countries with the assistance of their counterparts in industrialized countries and relevant international organizations including UNIDO	(a) Request the cooperation of the Association of Petrochemicals Producers in Europe (APPE) (b) Preparation of guidelines for the introduction of quality assurance system in the petrochemical industries of Arab countries	Lead unit: IO/IIS/INFR Support units: IPCT/CONSULT, IO/T/CHEM Lead unit: IO/T/CHEM Support unit: IPCT/CONSULT

Table 1 (continued)

RECOMMENDATIONS			FOLLOW-UP ACTIVITIES		
	Main features	Addressed to	Action required	In-house responsibility	
	(d) Introduce preventive maintenance systems and enhance spare parts manufacturing and management; (e) Improve management procedures and practices; (f) Upgrade managerial skills		(c) Identification of practical modalities for the incorporation of preventive maintenance systems in the operations of the chemical plants of the region	Lead unit: Support unit:	IO/OS/IHRD IPCT/CONSULT
15.	These measures will also promote "Responsible Care" programme and protection of the environment				
	Environmental protection and safety				
16.	On the basis of accepted international standards, the Arab petrochemical industry should continue to give adequate consideration to solving problems of environmental protection and safety so as to avoid the adverse effects of pollutants on human health and damage to nature and property	Companies in the Arab countries in cooperation with international organizations e.g. UNIDO, UNEP, ESCWA, World Bank	(a) Assistance/advice on request (b) Dissemination of assessed information and provision of technical services available at UNIDO	Lead unit: Support unit:	PPD/SMA/ENV IPCT/CONSULT
17.	The Arab petrochemical industry should continue to stress its desire to enhance safety, both to prevent risks and to respond to accidents	Companies in the Arab countries in cooperation with international organizations e.g. UNIDO, UNEP, ESCWA, World Bank	Linked to recommendation No. 16 and cooperation through specialized training programmes	Lead unit: Support unit:	IO/OS/IHRD IPCT/CONSULT
18.	Petrochemical producers in Arab countries should avail themselves of new technologies to minimize or treat solid and liquid wastes and to abate pollution problems	Technology holders, licensees, petrochemical companies in the Arab countries, ESCWA	(a) Assistance/advice on request (b) Identification of technological options and dissemination of relevant information	Lead unit: Support unit:	IPCT/TDP/INF IPCT/CONSULT
19.	In order to counteract the inadequate legislation on standards with respect to the elimination of hazardous wastes and poisonous chemicals, in developing countries in general and in the Arab region in particular, international agencies are asked to assist these countries in the formulation and harmonization of recognized guidelines, norms and specifications for permissible emissions and by-product disposal	Specialized international agencies, e.g. ILO, UNIDO, UNEP, national and regional standards organizations, ISO etc.	(a) Linked to recommendations No. 16 and No. 17 (b) Review, prepare and promote environmental codes, standards and specifications at national and regional level	Lead unit: Support unit:	PPD/SMA/ENV IPCT/CONSULT

Table 1 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
20. The problem of environmental pollution can often be traced back to the inefficient use of raw materials and energy in a petrochemical plant. This can be largely solved by the proper selection of process technologies and the efficient operation of the complexes by adequately trained personnel	Petrochemical industry in the Arab countries	Linked to recommendations Nos. 16, 17 and 18 and needs assessments for technical skills for operative personnel of chemical plants in the Arab countries	Lead units: PPD/SHA/ENV IO/OS/IHRD
21. In cooperation with UNEP and other relevant entities, UNIDO should elaborate a comprehensive responsible care programme in the development of the petrochemical industry, in the developing countries in general and in the Arab countries in particular	UNEP, UNIDO, EC, IIASA, etc.	Liaise with UNEP to secure inputs for the development of specialized activities and programmes responding to the needs of the Gulf and other Arab countries	Lead unit: PPD/SHA/ENV Support unit: IPCT/CONSULT

Table 2

REGIONAL CONSULTATION ON THE RESTRUCTURING OF THE CAPITAL GOODS INDUSTRY IN LATIN AMERICA AND THE CARIBBEAN
(Caracas, Venezuela, 9-12 November 1992)

Issue I: Measures to improve the international competitiveness of the capital goods industry in Latin America and the Caribbean region
Issue II: The role of the State, industrial associations and the private sector in the development of the capital goods industry in Latin America and the Caribbean

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
1. Establishment of adequate macro-economic conditions and necessary infrastructure to guarantee stable and competitive framework of action for the capital goods industry	Governments, industrial associations, regional and international organizations, i.e. SELA, UNIDO, ECLAC	Assist Governments and national industrial associations in enhancing capabilities and supporting the capital goods industry in areas such as: - export and investment promotion - matching of production and technology - technological innovation - technical human resources development	Lead unit: PPD/AREA Support units: IPCT/CONSULT IPCT/TDP/INF IPCT/TDP/TAN IO/OS/IHRD PPD/IPP/REG
2. Strengthening the international competitiveness in selected market niches through the identification and promotion of regional complementarities among capital goods producers	International and regional organizations and regional industrial associations	Review and identification of areas of national comparative advantage and market niches	Lead unit: PPD/IPP/REG Support units: IPCT/CONSULT PPD/AREA IO/IIS/INFR
3. Strengthening of industrial associations' capabilities for providing services to the capital goods industry in such areas as market intelligence, technical training in quality, design and standarization; international negotiations and regional network	International and regional organizations, Governments	Development of technical assistance programmes for strengthening industrial associations' capabilities in design, quality and technical training	Lead unit: IO/IIS/INFR Support units: IPCT/CONSULT IPCT/TDP/INF IPCT/TDP/TAN IO/OS/IHRD PPD/AREA IO/T/ENG
		Organization of consultative meetings among industrial associations from developing and developed countries on structures and support activities to the industry	
		Strengthening of industrial associations capabilities in providing support in the field of negotiations	
4. Dissemination of information on sectoral policies applied by other regions	International organizations, including UNIDO	Assessment of information requirements on sectoral industrial policies	Lead unit: IPCT/CONSULT Support units: IPCT/TDP/INF IO/IIS/INFR PPD/IPP/REG

Table 2 (continued)

RECOMMENDATIONS		FOLLOW-UP ACTIVITIES	
Main features	Addressed to	Action required	In-house responsibility
5. Assistance to capital goods producers in identifying new opportunities emerging from environmental protection programmes	International, i.e. UNIDO, UNEP, and regional organizations; regional and national industrial associations	Establishment of mechanisms for dissemination of new legislation and environmental standards	Lead unit: PPD/SMA/ENV Support units: IPCT/CONSULT, IPCT/TDP/INF
		Survey, review and dissemination of equipment required to meet new environmental regulations	Lead unit: IO/T/ENG Support units: IPCT/CONSULT, IO/IIS/INFR, IPCT/TDP/INF, PPD/SMA/ENV, PPD/AREA
		Development of regional or sub-regional programmes of technical cooperation to assist local capital goods producers to enhance their capabilities to produce environment-friendly equipment	
6. Development of regional programmes to assist the capital goods industry in Central America and the Caribbean	UNIDO and international development bodies	Assessment of technical assistance requirements and design of programmes to assist the capital goods industry in Central America and the Caribbean	Lead unit: IO/T/ENG Support units: IPCT/CONSULT, IO/IIS/INFR, PPD/IPP/REG
		Identification of sources for financing regional programmes for Central America and the Caribbean	Lead unit: PPD/ICFM Support units: IO/IIS/INFR, IPCT/CONSULT, PPD/AREA
7. Establishment of mechanisms for mobilizing new long-term financial resources and export guarantees instruments	UNIDO, SELA, regional and subregional industrial/financing institutions	In cooperation with development banks and other financial institutions identification of new mechanisms for mobilizing long-term funds for the technological modernization of the capital goods industry in the region	Lead unit: PPD/AREA Support units: PPD/ICFM, IPCT/CONSULT, IPCT/TDP/INF, IO/T/ENG, IO/IIS/INFR, PPD/IPP/REG
		Promote consultations among Governments/development banks and regional industrial associations on mechanisms for the establishment of effective export guarantees	
8. Promote the participation in future consultation meetings and regional activities of a broader spectrum of industrialists	Governments, regional and national industrial associations, international and regional organizations	Dissemination of conclusions and recommendations of Consultations and development of follow-up activities to be conducted by the different actors involved in the capital goods industry	Lead unit: IPCT/CONSULT Support unit: PPD/AREA